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**FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY**

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Before the  
**Federal Communications Commission**  
Washington, D.C. 20554

In the Matter of

2000 Biennial Regulatory Review --

Comprehensive Review of the Accounting

Requirements and ARMIS Reporting

Requirements for Incumbent Local Exchange

Carriers: Phase 3

CC Docket No. 00-199

**REPLY COMMENTS  
OF THE  
UNITED STATES TELECOM ASSOCIATION**

The United States Telecom Association (USTA) respectfully submits its reply to comments filed February 13, 2001 in the above-referenced proceeding.

In its comments, USTA urged the Commission to utilize its statutory authority under Sections 10 and 11 of the Telecommunications Act to eliminate and/or streamline current accounting and reporting regulations. USTA also recommended that the Commission allow incumbent LECs to utilize triggers that reflect their unique regulatory status as well as the market environment characteristics of their serving areas and that avoid duplicative filing of competitive information in order to receive relief from the current accounting and reporting rules. USTA pointed out that the pricing flexibility mechanism, which requires the elimination of the LFAM thereby removing the last vestige of rate of return regulation from price caps, could serve as an effective trigger for price cap LECs.<sup>1</sup> Finally, USTA urged the Commission to establish a specific deadline that by the year 2005 these rules will be eliminated. In order to meet that deadline, USTA recommended that the Commission begin the transition now, by adopting USTA's recommended streamlining in Phase 2 in 2001 and adopting further streamlining in 2003 as follows: 1) replace the consolidated ARMIS financial report with an Income Statement

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and Balance Sheet; 2) allow LECs to use GAAP instead of the current Part 32 and Part 64 rules related to time reporting and clearing accounts; 3) eliminate the Part 64 audit for the largest LECs; 4) eliminate the special studies in Part 64; 4) eliminate Section 64.901(c); and, 5) eliminate the Interstate Rate of Return Report, FCC 492A. In 2005, the Commission should eliminate the Part 32 chart of accounts, Part 64 and the current ARMIS reports.

Predictably, the competitors of the incumbent LECs stated that the Phase 3 objective, to establish a framework for accounting and reporting deregulation, is premature. They contend that competition is not “sufficient” and that deregulation cannot be considered until incumbent LECs are no longer “dominant”. These contentions are not relevant to the biennial review of the Commission’s rules and the creation of the Phase 3 deregulatory framework.

It is a sure bet that these competitors will never concede that competition is sufficient to convince them that they must give up their competitive advantage and compete under the same rules and regulations as the incumbents. Indeed, some parties noted that even if competition was found to be “sufficient”, the current rules should remain in effect for “monitoring” purposes.<sup>2</sup> No party disputes the fact that there is vastly more competition today than when the accounting and reporting rules were implemented. As USTA pointed out in its comments, competition has proved to be sufficient for the Commission to modify the regulations that were in effect when the accounting and reporting rules were implemented and has proved to be sufficient to permit pricing flexibility as well as to approve applications to offer in-region, interexchange service.

Further it is not necessary for the Commission to make a determination of non-dominance in order to eliminate the accounting and reporting rules. The Commission has never viewed market share as an essential factor in evaluating market competition.

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<sup>1</sup> See also, comments of BellSouth.

As USTA explained in its comments, the majority of the accounting and reporting requirements are the product of rate of return regulation that no longer exists at the Federal level or in the majority of states. Even the smallest carriers are seeking the implementation of an incentive regulation mechanism that will significantly break the link between costs and prices. USTA agrees with Qwest that the relevant inquiry, particularly in a biennial review proceeding, is whether the current accounting and reporting rules are necessary. No evidence has been provided that the accounting and reporting rules adopted in the 1980's are necessary today. As Verizon points out in its comments, these antiquated rules are not required for pricing, jurisdictional separations, universal service or to enforce Section 254(k). Part 32 accounting and ARMIS reports are also not required for any determinations in regard to pole attachments, interconnection, collocation and number portability. GAAP could provide sufficient information where necessary. If the Commission adopts USTA's transition recommendations, sufficient data to respond to requests for data will be maintained.

Deregulation is not a reward that incumbent LECs receive when everyone agrees that competition is "sufficient" or certain carriers are no longer "dominant". Deregulation is a statutory mandate. The Commission is required to deregulate and has been given specific


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<sup>2</sup> Comments of AT&T at 4 and the Ohio Consumer Counsel at 9. GAAP will provide an effective monitoring tool and will facilitate uniformity since CLECs currently use GAAP accounting.

statutory tools with which to do so. The fifth anniversary of the Telecommunications Act has passed and there has been no significant progress toward deregulation of the current accounting and reporting rules. The Commission should set a date by which these rules will no longer exist and begin the transition now as recommended by USTA in its comments in Phase 2 and Phase 3.

Respectfully submitted

**UNITED STATES TELECOM ASSOCIATION**

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March 14, 2001

**CERTIFICATE OF SERVICE**

I, Meena Joshi, do certify that on March 14, 2001, Reply Comments of The United States Telecom Association was either hand-delivered, or deposited in the U.S. Mail, first-class, postage prepaid to the attached service list.

  
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